

**IOWA RIVER VALLEY  
EARLY CHILDHOOD AREA**

**Independent Auditors' Reports  
Basic Financial Statements  
Schedule of Findings**

**June 30, 2014**

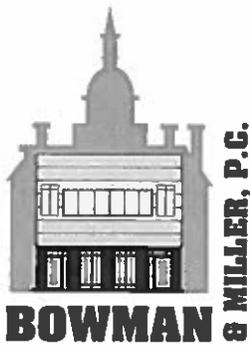
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# Iowa River Valley Early Childhood Area

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Betsy Macke	Co-Chairperson	June 30, 2015
Holly Barnhart	Co-Chairperson	June 30, 2015
Michael Hackbarth	Member	June 30, 2015
Bettie Bolar	Member	June 30, 2015
Lisa Formo	Member	June 30, 2015
Karen Clover	Member	June 30, 2015
Deane Adams	Member	June 30, 2015
Lisa Naig	Member	September 10, 2016
Emily Schuneman	Member	November 19, 2016
JoAnn Griep-Adams	Member	November 19, 2016
Pat Thompson	Member	January 21, 2017
Scott Bahr	Member	January 21, 2017
Barb Winkels	Member	January 21, 2017
Carrie Kube	Executive Director	Indefinite



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Members of the Iowa River Valley Early  
Childhood Area Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa River Valley Early Childhood Area as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Area's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Area's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Iowa River Valley Early Childhood Area as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U. S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2014 on our consideration of Iowa River Valley Early Childhood Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa River Valley Early Childhood Area's internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

November 19, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Iowa River Valley Early Childhood Area provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Area's financial statements, which follow.

## 2014 FINANCIAL HIGHLIGHTS

- Revenues of the Area decreased 6.6%, or approximately \$44,000, from fiscal year 2013 to fiscal year 2014.
- Expenses decreased 3.2%, or approximately \$21,000, from fiscal year 2013 to fiscal year 2014.
- The Area's net position decreased 29.8%, or approximately \$16,000, from June 30, 2013 to June 30, 2014.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Area's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Area as a whole and present an overall view of the Area's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Area's operations in more detail than the entity-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## REPORTING THE AREA'S FINANCIAL ACTIVITIES

### *Entity-wide Financial Statements*

The Statement of Net Position presents the financial information on all of the Area's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in the Area's net position may serve as a useful indicator of whether the financial position of the Area is improving or deteriorating.

The Statement of Activities presents information showing how the Area's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Area's net position decreased from a year ago, decreasing from \$54,450 at June 30, 2013 to \$38,211 at June 30, 2014. The analysis that follows focuses on the changes in the net position of governmental activities.

<u>Net Position of Governmental Activities</u>		
	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Cash	\$ 86,562	110,009
Accounts payable	48,351	55,559
Net position	<u>\$ 38,211</u>	<u>54,450</u>

The net position of the Area's governmental funds decreased \$16,239 during the year primarily due to a decrease in funding for school ready children programs. The following analysis details the changes in net position resulting from the Area's activities during the year ended June 30, 2014.

<u>Changes in Net Position of Governmental Activities</u>		
	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Program revenues:		
Operating grants, contributions, and restricted interest	\$ 623,182	667,354
Program expenses:		
Early childhood	125,527	146,061
Family support and parent education	265,570	292,282
Preschool support for low income families	116,652	123,351
Quality improvement	54,990	55,770
Other program services	54,154	12,814
Parent summit	-	1,622
Administration	22,528	28,975
Total expenses	<u>639,421</u>	<u>660,875</u>
Change in net position	(16,239)	6,479
Net position beginning of year	54,450	47,971
Net position end of year	<u>\$ 38,211</u>	<u>54,450</u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

- The Special Revenue, Early Childhood Fund cash balance increased \$14,902 from the prior year to a year-end balance of \$14,902.
- The Special Revenue, School Ready Fund cash balance decreased \$31,141 from the prior year to a year-end balance of \$23,309, primarily due to a decrease in funding.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Due to State budget cuts, funding will decrease for fiscal year 2015 for the Iowa Valley Early Childhood Area. The fiscal year 2015 grant funding for Early Childhood and School Ready will total \$138,237 and \$478,823, respectively, for a total of \$617,060, which is a decrease of \$5,516 from fiscal year 2014.

## **CONTACTING THE AREA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Area's finances and to show the Area's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Carrie Kube, Executive Director, 524 Lawler, Iowa Falls, Iowa, 50126.

Iowa River Valley Early Childhood Area  
Statement of Net Position  
June 30, 2014

Exhibit A

**Assets**

Cash \$ 86,562

**Liabilities**

Accounts payable 48,351

**Net Position**

Restricted for grant purposes \$ 38,211

Iowa River Valley Early Childhood Area  
Statement of Activities  
Year Ended June 30, 2014

<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Governmental activities:		
Early childhood	\$ 125,527	139,298
Family support and parent education	265,570	266,040
Preschool support for low income families	116,652	116,604
Quality improvement	54,990	51,001
Other program services	54,154	28,646
Administration	22,528	21,593
<b>Total</b>	<u>\$ 639,421</u>	<u>623,182</u>

Net position beginning of year

Net position end of year

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<b>Net (Expense) Revenue and Changes in Net Position</b>	
	13,771
	470
	(48)
	(3,989)
	(25,508)
	(935)
	<hr/> (16,239)
	 54,450
	<hr/>
<b>\$</b>	<b>38,211</b>

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Iowa River Valley Early Childhood Area  
Balance Sheet  
Governmental Funds  
June 30, 2014

		<u>Special Revenue</u>		
		Early Childhood	School Ready	Total
<b>Assets</b>				
Cash		\$ 27,178	59,384	86,562
<b>Total Assets</b>		<u>\$ 27,178</u>	<u>59,384</u>	<u>86,562</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable		\$ 12,276	36,075	48,351
Fund balances:				
Restricted for grant purposes		14,902	23,309	38,211
<b>Total liabilities and fund balances</b>		<u>\$ 27,178</u>	<u>59,384</u>	<u>86,562</u>

Iowa River Valley Early Childhood Area  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014

	Special Revenue		Total
	Early Childhood	School Ready	
<b>Revenues:</b>			
State of Iowa grants:			
Early childhood	\$ 139,162	-	139,162
Family support and parent education	-	265,570	265,570
Preschool support for low income families	-	116,604	116,604
Quality improvement	-	51,001	51,001
Other program services	-	28,646	28,646
Allocation for administration	7,324	14,269	21,593
Total State of Iowa grants	146,486	476,090	622,576
Interest on investments	136	470	606
Total revenues	146,622	476,560	623,182
<b>Expenditures:</b>			
Program services:			
Early childhood	125,527	-	125,527
Family support and parent education	-	265,570	265,570
Preschool support for low income families	-	116,652	116,652
Quality improvement	-	54,990	54,990
Other program services	-	54,154	54,154
Administration	6,193	16,335	22,528
Total expenditures	131,720	507,701	639,421
Change in fund balances	14,902	(31,141)	(16,239)
Fund balances beginning of year	-	54,450	54,450
Fund balances end of year	\$ 14,902	23,309	38,211

**Iowa River Valley Early Childhood Area**  
**Notes to Financial Statements**  
**June 30, 2014**

**(1) Summary of Significant Accounting Policies**

The Iowa River Valley Early Childhood Area (Area) is established under Chapter 256I of the Code of Iowa. The goal of the Area is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Area is funded by allocations of state block grants.

An autonomous Board with a minimum of nine citizens from Marshall and Hardin Counties governs the Iowa River Valley Early Childhood Area. The Iowa River Valley Early Childhood Area Board is comprised of an elected official from one of the participating counties and one representative each from early care, education, health, human services, business and faith interest and a parent of young children.

The Area designated Hardin County Agricultural Extension as fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Area's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Area are intended to present the financial position and the changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants, which are reported in separate Special Revenue Funds.

**A. Reporting Entity**

For financial reporting purposes, the Area has included all funds, organizations, agencies, boards, commissions and authorities. The Area has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Area are such that exclusion would cause the Area's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Area to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Area. The Area has no component units which meet the Governmental Accounting Standards Board Criteria.

**B. Basis of Presentation**

**Entity-wide Financial Statements** – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Area.

The Statement of Net Position presents the Area's assets and liabilities, with the difference reported as net position. Net position is reported in the following category:

Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2014

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Area reports the following major governmental funds:

**Special Revenue:**

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

**C. Measurement Focus and Basis of Accounting**

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Area considers revenues to be available if they are collected within 60 days after year end.

**Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2014**

**(1) Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Area.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Fund Balance**

In the governmental fund financial statements, fund balances are classified as restricted. This amount is restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional legislation.

**(2) Cash**

The Area's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance.

**(3) Risk Management**

The Area is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2014

**(3) Risk Management (continued)**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Area's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Area's contribution to the Pool for the year ended June 30, 2014 was \$1,171.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

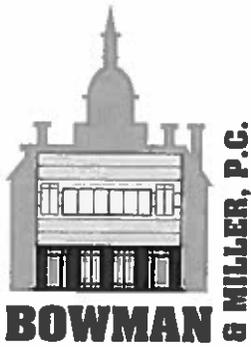
The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**(4) Date of Management Evaluation**

Management has evaluated subsequent events through November 19, 2014, the date on which the financial statements were available to be issued.



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Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Members of the Iowa River Valley  
Early Childhood Area Board:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Iowa River Valley Early Childhood Area as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Iowa River Valley Early Childhood Area's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of Iowa River Valley Early Childhood Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa River Valley Early Childhood Area's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Area's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa River Valley Early Childhood Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Area's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa River Valley Early Childhood Area. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute a legal interpretation of those statutes.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Area's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Area's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa River Valley Early Childhood Area during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman & Miller, P.C.*

Marshalltown, Iowa  
November 19, 2014

Iowa River Valley Early Childhood Area  
Schedule of Findings  
For Year Ended June 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**Part II: Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Area official or employees were noted.

**Iowa River Valley  
Early Childhood Area  
Audit Staff**

**This audit was performed by:**

**Bowman & Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa**

**Personnel:**

**Elizabeth A. Miller, CPA, Principal  
Nathan P. Minkel, CPA, Principal**